

2006 PRIVATE ACTIVITY BOND PROGRAM DESCRIPTION

COLORADO DEPARTMENT OF LOCAL AFFAIRS

Private Activity Bonds are tax-exempt bonds that can be issued for specific purposes. Allocations of bonding authority are granted to states each year. The Colorado Private Activity Bond (PAB) allocation program was established by statute (24-32-1701 et seq, C.R.S.) to provide for the allocation of the State PAB ceiling under the federal Tax Reform Act of 1986. The program consists of two major elements:

Direct PAB Allocations

Fifty percent (50%) of the state ceiling is allocated directly to state authorities. Eligible state authorities include the Colorado Housing and Finance Authority, Colorado Agricultural Development Authority, Colorado Post-Secondary Education Facilities Authority, Colorado Health Facilities Authority and CollegeInvest. State authorities may utilize this allocation from January 1 to September 15 of each year.

The remaining 50% of the PAB ceiling is allocated to local governments. Governments whose populations warrant allocations of \$1 million or more, receive a direct allocation. These allocations are available to qualifying local governments from January 1 to September 15 of each year. The remainder is retained in the Statewide Balance.

If any portion of a direct allocation is not used by a state agency or local government (1) to issue bonds, (2) for a carryforward purpose or (3) a mortgage credit certificate election, by September 15, the remaining allocation reverts to the Statewide Balance for allocation by the end of the year.

Statewide PAB Balance

The Statewide Balance is available to *(1) local issuers not receiving a direct allocation or (2) state agencies and larger local governments that may need allocation in addition to their direct allocation*. State law requires that agencies in this second group must relinquish their direct allocations to the Statewide Balance, which occurs at the time of award. Issuers access the Statewide Balance through applications to the Department of Local Affairs.

Applications can be submitted for allocations from the Statewide Balance twice a year. The first application deadline is January 20, 2006. A second deadline for applications is set for August 25, 2006. Any returned allocations or remaining bond cap in the Statewide Balance will be allocated at that time. Applications are reviewed by staff and the Bond Allocations Committee. The Committee is also responsible for recommending priorities to the Executive Director of the Department of Local Affairs for allocation awards from the Statewide Balance.

Application Fee and Administrative Fees

The Statewide Balance application fee for 2006 is \$750 per proposal. The fee **must** accompany the application, and it is non-refundable. Upon bond issuance or at the time that a Mortgage Credit Certificate program commences, a .25% issuance fee on bonds issued is due to the Colorado Department of Local Affairs for the portion of the issuance that was allocated from the Statewide Balance, except for programs administered by local governments. This fee is due within five working days of the bond closing or the commencement of a Mortgage Credit Certificate program.

Statewide Balance Program Purposes

The primary purpose of the PAB program is to meet federal requirements in the Tax Reform Act of 1986. The program is also designed to accomplish the following purposes:

1. Establish an orderly and equitable process of allocating tax-exempt PAB issuance authority.
2. Encourage private investment in creating and sustaining jobs, housing, higher education, solid and hazardous waste treatment, and water and sewer facilities.
3. Encourage development in areas of the state where jobs, housing, certain infrastructure improvements and higher education are most needed.
4. Encourage the increase or maintenance of the local tax base.
5. Maximize the use of the state's tax-exempt PAB allocation.

Statewide Balance Program Priorities

Each PAB application will be reviewed for completeness, eligibility, and financial feasibility. For applications submitted during 2006, preference will be given to applications that demonstrate:

1. Community support through a certified copy of an inducement resolution and local financial commitment of local PAB allocation, other local financial subsidies or reduced fees. No applications will be accepted in 2006 that do not contain a certified copy of an inducement resolution.
2. Evidence of ability to issue PABs for proposed projects by September 15, 2006. Priority will be given to those applicants with a preliminary commitment for the bond credit enhancement.
3. Demonstrated impact of the PAB-financed development on local demographic need. Indicators of need include: high unemployment, low housing vacancy rates, need for economic diversity, assistance to rural areas, increasing gap between housing costs and local wages, or any immediate health or safety issues.
4. A general guideline: Project size is between \$3 million and \$12 million. A justification must accompany an application if the proposed project varies from this range.
5. Consistency with local development plans. Proposed projects should support local development priorities and avoid any adverse impact on other jurisdictions.

Statewide Balance Bond Allocations Committee

The Private Activity Bond Allocations Committee is established in state law to advise the Executive Director of the Department of Local Affairs on statewide priorities for the allocation of the Statewide Balance. Included in this is the duty to review and advise the Executive Director on specific allocation proposals. The Committee is chaired by the Executive Director and includes eight members appointed by the Governor. Four members represent units of governments, one of whom must be from the western slope; three members are citizens residing in Colorado. One member represents state authorities. All members are appointed to three-year terms except the state authority member, appointed annually.

**2006 SCHEDULE
STATEWIDE BALANCE
PRIVATE ACTIVITY BOND PROGRAM**

Applications for the Private Activity Bond Statewide Balance can be submitted on or before January 20, 2006 and, August 26 provided a sufficient Statewide Balance remains. The schedule for the application review for statewide balance allocations in 2006 is as follows.

First application deadline (Applications must be received no later than 5:00 p.m.)	January 20, 2006
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Staff/PAB Committee review	Week of March 1
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Notification of allocations	March 16, 2006
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Rolling summer applications dates	April 15, May 14, June 15, July 15
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Notification of allocations will be 4-6 weeks after each application deadline

The second review of applications occurs immediately following the September 15 return of unused PAB allocation to the statewide balance. The schedule for Fall 2006 review follows:

Fall application deadline for returned bond cap	August 25, 2006
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Deadline for returning unused PAB to Statewide Balance	September 15, 2006
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Staff/PAB Committee review	August 30 - September 27, 2006
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Notification of allocations	October 15, 2006
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For assistance in the Private Activity Bond Program application process, contact **Elizabeth Smith** at (303) 866-5577. Correspondence and applications should be mailed to:

Elizabeth Smith
Colorado Division of Housing
1313 Sherman Street, Room 518
Denver, Colorado 80203
elizabeth.smith@state.co.us

To have the application E-mailed or mailed to you in Word, please contact:

Colorado Division of Housing
(303) 866-2033

2006 Private Activity Bond Local Allocations

Local Issuers	Population	Bond Cap Available
Denver	568,913	\$22,756,520
Colorado Springs	380,073	\$15,202,920
Aurora	295,775	\$11,831,000
Jefferson County	211,417	\$8,456,680
El Paso County	174,512	\$6,980,480
Douglas County	168,263	\$6,730,520
Lakewood	143,611	\$5,744,440
Fort Collins	126,903	\$5,076,120
Weld County	131,894	\$5,275,760
Boulder County	106,943	\$4,277,720
Westminster	105,177	\$4,207,080
Pueblo (city)	104,031	\$4,161,240
Arvada	103,004	\$4,120,160
Centennial	101,049	\$4,041,960
Thornton	101,763	\$4,070,520
Arapahoe County	101,329	\$4,053,160
Adams County	97,796	\$3,911,840
Boulder (City)	97,467	\$3,898,680
Greeley	85,887	\$3,435,480
Larimer County	84,750	\$3,390,000
Longmont	80,612	\$3,224,480
Mesa County	79,667	\$3,186,680
Loveland	57,485	\$2,299,400
Garfield County	49,325	\$1,973,000
Grand Junction	48,141	\$1,925,640
Eagle County	47,990	\$1,919,600
Fremont County	47,449	\$1,897,960
La Plata County	47,173	\$1,886,920
Pueblo County	45,697	\$1,827,880
Broomfield	44,634	\$1,785,360
Littleton	40,715	\$1,628,600
Parker	37,093	\$1,483,720
Montrose	36,933	\$1,477,320
Northglenn	35,612	\$1,424,480
Castle Rock	33,810	\$1,352,400
Englewood	32,491	\$1,299,640
Wheat Ridge	31,869	\$1,274,760
Commerce City	30,768	\$1,230,720
Delta County	30,080	\$1,203,200
Morgan County	28,357	\$1,134,280
Summit County	27,443	\$1,097,720
Brighton	26,925	\$1,077,000

STATEWIDE BALANCE ELIGIBILITY LIST

Manufacturing "small issue" industrial development bonds (not to exceed \$10,000,000) - Bonds sold for construction of manufacturing facilities that cause a change in the condition of goods or products.

Single-family mortgage revenue bonds - Bonds sold by local and state agencies, to be used for mortgages for persons with low and moderate incomes.

Mortgage Credit Certificates - Local issuers can elect to use a bond allocation as mortgage credit certificates for qualified homebuyers.

Qualified redevelopment bonds - Bonds sold to acquire property in blighted areas; prepare land for redevelopment; and relocate occupants of structures on the acquired property.

Qualified residential rental projects* - Bond proceeds are used to finance new construction or acquisition/rehabilitation of housing for persons with low and moderate incomes.

Student loans - Proceeds are used to provide low interest loans to eligible students at institutions of higher education.

Exempt facility bonds - Hazardous waste facilities, solid waste disposal facilities, water and sewer facilities, mass commuting facilities, local district heating and cooling facilities, local electric energy or gas facilities, and multifamily housing bonds.

Qualified 501(c)(3) bonds - For use by non-profit hospitals and private universities.

THE DEPARTMENT REQUIRES THAT ANY PROJECT DEVELOPER CONSIDERING USING STATEWIDE BALANCE PRIVATE ACTIVITY BONDS SEEK THE ADVICE OF BOND COUNSEL AT THE OUTSET TO DETERMINE PROJECT ELIGIBILITY UNDER FEDERAL DEFINITIONS FOR PRIVATE ACTIVITY BONDS.

4% LOW INCOME HOUSING TAX CREDITS

* Rental housing projects are also eligible for Low Income Housing Tax Credits under Section 42 of the Internal Revenue Code. In Colorado, the tax credit program is administered by the Colorado Housing and Finance Authority. For further information, contact the Rental Housing Division, (303) 297-7351 or write to:

Tax Credit Administrator
Rental Housing Division
Colorado Housing and Finance Authority
1881 Blake Street
Denver, Colorado 80202

Developers of rental housing projects should contact the Colorado Housing Finance Authority at the time of application and inquire about applying for 4% tax credits. CHFA requires a market study completed under their guidelines.

2006 - PRIVATE ACTIVITY BOND APPLICATION FOR STATEWIDE BALANCE

1. ISSUING AUTHORITY

(name)

(address)

(issuing authority officer and title)

(telephone and fax)

2. PRIVATE BENEFICIARY OR PROPOSED PROJECT OR FINANCING

(name)

(address)

(principal company or entity contact)

(telephone and fax)

3. BOND COUNSEL FIRM

(name)

(address)

(individual responsible attorney)

(telephone and fax)

4. PROJECT OR FINANCING NAME _____

5. TYPE OF BONDS (check one below)

Manufacturing Activity	<input type="checkbox"/>	Single Family Mortgage	<input type="checkbox"/>	Other (specify)	<input type="checkbox"/>
Multifamily Housing	<input type="checkbox"/>	Waste Treatment Facility	<input type="checkbox"/>		<input type="checkbox"/>
Waste Disposal	<input type="checkbox"/>	Water/Sewer	<input type="checkbox"/>		<input type="checkbox"/>

6. AMOUNT OF STATEWIDE BALANCE ALLOCATION BEING REQUESTED _____

7. AMOUNT OF LOCAL GOVERNMENT BOND CAP PLEDGED TO PROJECT _____

2004 Bond Cap _____

2005 Bond Cap _____

2006 Bond Cap _____

If applicable – has all local 2006 bond cap been allocated or assigned? If not for this project, what project or purpose is it being used for?

To the best of my knowledge, this information and the attachments hereto are true and correct.

(Issuing authority officer)

(Date)

REQUIRED ATTACHMENTS

- **Certified copy of Inducement Resolution** – **No** applications will be accepted without a certified Inducement resolution. State statute requires that a certified inducement resolution be submitted with each application for statewide balance. This requirement will not be waived for any applicants.
- Copy of application, if any, submitted to issuing authority in connection with inducement
- Bond Counsel opinion required by C.R.S. 24-32-1709 (g)
- Copies of bond cap assignments if any
- Statement addressing the financial feasibility of the project were it not successful in receiving an allocation of Private Activity Bonds
- Signed statement of intent or other indication of proposed credit enhancement
- Local government priority if more than one request for allocation is submitted
- IDB - Market analysis, business plan and financial statements (include proposed allocation of bond proceeds and other sources of financing for project)
- Other information specifically requested to assist in reviewing project
- Application fee of \$750 (make check payable to "State of Colorado")
- Three copies of completed Statewide Balance application
- Rental Housing Applications – professionally prepared third party market study for the subject property and proposed project must be submitted by FEBRUARY 7th. Applicants may want to coordinate the preparation of this market study with the CHFA tax credit market study requirements.

NOTE: All required attachments must be submitted by the application deadline. NO incomplete or late applications will be accepted.

LOCAL ISSUER APPLICATION REQUIREMENTS

Colorado State Statute requires that local governments that receive their own allocation of Private Activity Bonds must have all local bond cap allocated before applying for the statewide balance. This can include allocations to the project specified in this application.

Applications for statewide balance that include an allocation of local bond cap will be considered a priority to that local government and will receive a preference from the Department of Local Affairs.

Local governments that are allocating Private Activity Bond cap to the project described in this application must assign the local bond cap to the Department of Local Affairs if the project successfully receives an allocation from the Statewide Balance. This assignment must happen before an allocation letter for statewide balance bond cap is issued. See the sample assignment document at the back of this application.

PROJECT INFORMATION
(To be completed by all applicants)

1. Indicate the name, address, phone and contact person of the proposed underwriter or lender. Indicate the name, address, phone and contact person for the business or development entity that can answer staff questions about the project. What is the projected bond issuance date?

2. Has the governmental issuer and/or the private party utilized PABs in the past? If so, identify financings by issuer, date, purpose, amount issued, and maturity schedule for the past two years. Please include the Inducement Resolution for this project with this application. The inducement resolution *must* be complete at time of application.

3. Do you have site control? Has the project received zoning, subdivision and site plan approvals? If not, what is the status of land use approvals, and when do you anticipate receiving final land use approval?

4. Is the infrastructure in place to service this project? If not, is the infrastructure under construction or planned? What is the estimated time of completion?

5. Is the project located in a floodplain? If so, please indicate proposed mitigation measures.

6. Has the project received a preliminary commitment for credit enhancement? If yes, attach copy of commitment letter and any conditions. If not, when is the preliminary commitment anticipated? Please submit when received.

7. What additional tax revenue will accrue to the local government unit from this project?
 Assessed Valuation:
 Sales/Use Tax:
 Property Tax:
 Other:

IDB INFORMATION
(Small manufacturing applicants only)

1. Describe the need and purpose for the relocation or expansion of this manufacturing proposal. (Please note: In the case of an in-state relocation, the Department of Local Affairs will notify the area from where the company is leaving of the relocation plans.)
2. Please attach a detailed description of the sources and uses of funds for this project.
3. Please include the facility's average wages by occupational category and the number of retained or created jobs through this investment. A description of employee benefits must be included.
4. If this is a publicly held company, please submit complete Annual Reports for the past 3 years. Additionally, an interim statement dated within 90 days of January 16, 2006 must be submitted.

 If this is a privately held company, the company must submit audited/reviewed/compiled financial statements covering the most recent 3 full years in terms of Balance Sheets and Income Statements. Additionally, an interim statement dated within 90 days of January 16, 2006 must be submitted. The accounting firm's accompanying letter(s) and notes also must be submitted.

 If this is a privately held company that prepares its statements internally, the company must submit its internally prepared financial statements covering the most recent 3 full years in terms of Balance Sheets and Income Statements, along with federal tax returns for such years. Additionally, an interim statement dated within 90 days of January 17, 2006 must be submitted.

 For the most recent financial statements provided, the company must submit a debt listing/schedule unless this information is readily available in the financial statements provided.
5. Income and cashflow projections must be submitted for a three-year period going forward. These projections must be on a monthly basis for the first year and then quarterly thereafter. Assumptions to the projections must be included.
6. Please provide a detailed timeframe for issuing bonds, constructing the facility and purchasing the equipment with bond proceeds.
7. What is the legal structure of this company?
8. Businesses should be willing to set up a site visit with staff from the Governor's Office of Economic Development and International Trade during their underwriting review process.

BUSINESS CERTIFICATION – IDB Applicants Only

We, as the Business requesting assistance through a Private Activity Bond, certify that the information, exhibits and schedules contained herein are true and accurate statements, and represent fairly the financial posture of the enclosed entity(ies) as of the date stated herein. We give unconditional consent to allow the Department of Local Affairs or the Office of Economic Development and International Trade and its agents to verify financial information or discuss information regarding the Business and its primary shareholders/guarantors herein with participants in the project or with other potential sources from which the Business may obtain financing.

Typed or Printed Name

Signature

Business Title/Capacity

Business Name

Date

CREDIT INVESTIGATION FORM – IDB Applicants Only

The Department of Local Affairs or the Office of Economic Development and International Trade has my permission to obtain information on my personal and/or business credit history.

Name (Printed or Typed)

Spouse's Name (Printed or Typed)

Social Security Number

Spouse's Social Security Number

Current Address

Previous Address

Date of Birth

Spouse's Date of Birth

Signature

Date

Spouse's Signature

Date

Name of Business

HOUSING PROJECTS (Housing applicants only)

1. If the proposed financing is for single-family mortgage revenue bonds, is the entity eligible to use any other authority's PAB issues? If so, how much of this authority remains to be utilized? For rental projects, is bond cap from local jurisdictions included?

2. How many units of housing will be constructed or rehabilitated by this project? Please indicate the percent of units serving persons with lower incomes and the qualifying income levels.

RENTAL HOUSING APPLICATIONS – please complete numbers 3, 4, and 5

3. Who will be the developer and property manager? What is their experience with developing or managing this type of property?

4. **Please attach a detailed development budget, a sources and uses statement, a detailed operating budget that includes detail of unit rents, with a ten-year pro forma, architectural plans and market data. A professionally prepared third party market study must be submitted by February 7th.**

5. Does the project intend to utilize Low Income Housing Tax Credits? If so, what is the estimated price per dollar credit that the project intends to receive? Is an investor identified? If so, include their offer to purchase the credits.

MORTGAGE CREDIT CERTIFICATE (MCC) APPLICANTS – please complete numbers 6, 7, 8 and 9

6. What is the upper limit of income qualifications for your proposed MCCs? What income thresholds will be placed on the program? How many homes are listed in your community's Multiple Listing Service that people at this income could afford?

7. Have mortgage companies agreed to participate in your MCC program? If so, please list them.

8. Who will administer your Mortgage Credit Certificate program? What is their experience administering housing finance programs?

9. What counties/cities will be included in the program?

SINGLE FAMILY MORTGAGE REVENUE BONDS – please answer numbers 10, 11, 12 and 12

10. What is the upper limit of income qualifications for your proposed MRBs? What income thresholds will be placed on the program? How many homes are listed in your community's Multiple Listing Service that people at this income could afford?
11. Have mortgage companies agreed to participate in your MRB program? If so, please list them.
12. Who will administer your Mortgage Revenue Bond program? What is their experience administering housing finance programs?
13. What counties/cities will be included in the program?

- For the most recent financial statements provided, the company must submit a debt listing/schedule unless this information is readily available in the financial statements provided.

Qualified Redevelopment Projects

1. If the bonds are proposed "**qualified redevelopment bonds**", is this project consistent with an approved urban renewal or local development plan? Include a letter from the appropriate unit of government certifying its consistency with these plans.
2. Please provide a narrative description of the redevelopment that will be undertaken. Also provide copies of redevelopment plans, the redevelopment budget including sources and uses and how bond proceeds will be used, and a timeline for completion of the project.
3. Provide a description of who will be undertaking the redevelopment activities, and their relative experience.

This sample form of assignment can be used by designated local issuing authority for assignment of private activity bond allocation, but not for carryforward purposes.

ASSIGNMENT OF AN ALLOCATION BY A DESIGNATED ISSUING AUTHORITY

THIS ASSIGNMENT (the "Assignment") dated this _____ day of _____, 2006, is between _____, Colorado, a body corporate and politic (the "Assignor"), and _____, Colorado, a body corporate and politic (the "Assignee").

RECITALS

A. _____, a _____ (the "Company") has requested the Assignee, to finance a project consisting of _____ (the "Project") to be located in _____, Colorado and has represented to the Assignor and the Assignee that the Project will be designed to qualify as a "project" within the meaning of the County and Municipality Development Revenue Bond Act, constituting part 1 of article 3 of title 29, Colorado Revised Statutes, as amended (the "Act").

B. The Company has requested that the Assignee authorize and provide for the issuance of its Revenue Bonds (the "Bonds") for the financing of a Project in an amount up to a maximum aggregate principal amount of \$ _____ the ("Proposed Bonds"), pursuant to the provision of the Act for the purpose of financing the Project.

C. The Assignee, pursuant to Resolution No. ____ adopted by the _____ on _____, 2006, declared its intention to take all steps necessary or advisable to effect the issuance of the Bonds for the financing of the Project.

D. The Company has requested that the Assignor assign to the Assignee the Assignor's 2006 allocation under the bond ceiling for the State of Colorado and its issuing authorities (the "State Ceiling") computed under Section 146 (d) of the Internal Revenue Code of 1986 (the "Code") as provided for the Assignor as a "designated local issuing authority" under part 17 of article 32 of title 24, Colorado Revised Statutes (the "Allocation Act"), for use in connection with the financing of the Project.

E. The Company has provided to the Assignor a copy of the opinion of bond counsel provided to the State of Colorado, Department of Local Affairs, Division of Housing, that the Bonds constitute "private activity bonds" as defined in Section 141 of the Code, stating the amount of the Bonds requiring an allocation from the State Ceiling, and that the Assignee is authorized under Colorado laws and its Constitution to issue the Bonds.

F. Pursuant to Resolution No. _____, of the _____ of the Assignor adopted on 2006, the Assignor has committed and reserved its allocation from the State Ceiling as a "designated local issuing authority" pursuant to the Allocation Act for use solely in connection with the financing of the Project.

G. Subject to the terms and conditions set forth herein, the Assignor desires to assign to the Assignee, and the Assignee desires to accept, the Assignor's 2006 allocation from the State Ceiling, which allocates the Assignor has committed and reserved for the Project.

Assignment

In exchange for the agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Assignor hereby assigns and transfers to the Assignee, the Assignor's 2006 allocation from the State Ceiling for private activity bonds in an amount equal to \$_____ for the purpose of issuing the Bonds to finance the Project. The Assignor and the Assignee understand that such assigned allocation shall automatically be relinquished to the "Statewide Balance" as defined under the Allocations Act unless (a) the Bonds are issued by the Assignee on or before September 15, 2006, or (b) Section 24-32-1706(3)(c) applies.

2. The Assignor represents that it has received no monetary consideration for the assignment set forth above.

3. The Assignee hereby:

(a) Accepts the assignment of the portion of the Assignor's allocation from the State Ceiling described above; and

(b) Agrees to abide by each of the terms and conditions of this Assignment in connection with the use of such allocation.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this instrument to be executed to be effective as of the date and year first written above.

_____, COLORADO,
as Assignor

By:

[SEAL]

ATTEST:

_____, COLORADO,
as Assignee

By:

[SEAL]

ATTEST: